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## Overview State and Local Governance Fifteen Years Later: Enduring and New Challenges

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*This article draws on the contributions to this issue and related evidence to assay the extent to which the states and larger local governments have moved in directions endorsed by the Winter Commission in 1993. The commission's recommendations targeted (1) the political context of state and local governance, with a particular focus on executive leadership, campaign finance reform, and citizen engagement; (2) the specifics of public administration, with primary emphasis on empowering managers through internal deregulation and bolstering human resource capacity; and (3) the nature of the relationship between the national government and the states in a key policy arena. Significant changes in the fabric of state and local governance have occurred in each of these three areas over the last 15 years. Many of these modifications are consonant with the thrust of the Winter Commission report, but the evidence also points to the limits of state and local reform. Further reform initiatives should be built on systematic efforts to advance knowledge concerning the origins, nature, and outcomes of the array of institutions and processes present at the state and local levels.*

Governor William F. Winter captures the genesis of this special issue in his introductory essay. The time is ripe to refocus on the front lines of the federal system 15 years after the release of *Hard Truths/Tough Choices: An Agenda for State and Local Reform*, the primary report of the National Commission on the State and Local Public Service (1993) (hereafter termed the Winter Commission). In this regard, the authors in this special issue illuminate myriad developments related to the performance and democratic accountability of state and local governments. This article sets the stage for understanding their specific contributions by revisiting the themes and recommendations of *Hard Truths/Tough Choices*. While making no assertion about the Winter Commission as a causal force, I draw on the articles in this issue and related evidence to assay the degree to which movement has occurred in directions endorsed by the commission. Enduring and new challenges receive attention.<sup>1</sup>

The observations and recommendations of *Hard Truths/Tough Choices* cluster under three banners. First, unlike much of the reinvention thinking common in the 1990s, the commission linked prospects for meaningful reform to the broader political context. It held that reinvigorating public administration also necessitated a focus on factors that vitiated the institutions of executive leadership and fueled fragmentation. The commission also affirmed that the quest for revitalized governance necessitated that we engage issues of campaign finance, lobbying, and the role of citizens as problem solvers. Second, the commission grasped that the specifics of public administration and management matter. It espoused changes in organizational structure, called for empowering managers through internal deregulation, touted steps to bolster the human resource capacity of state and local governments, and endorsed a new style of management. Third, the commission more briefly but no less emphatically understood the importance of federalism—the degree to which actions taken by the national government abet or thwart state and local performance and accountability. Although it addressed this issue primarily in the context of Medicaid, developments since 1993 have elevated the importance of this focus well beyond health policy.

This article sequentially addresses each of these three topics. In presenting the perspective of the Winter Commission and surveying subsequent developments, I stake no claim to offering a highly calibrated, synoptic overview. Space would not permit such an effort. Moreover, informative as the articles in this issue and related evidence are, no readily available scorecard exists to monitor all the practices in the states and larger metropolitan regions considered by the Winter Commission. Nonetheless, the information base is sufficiently robust to track an array of pertinent developments. Prior to turning to the political themes of the Winter Commission report, this essay offers a snapshot of change and stability in key features of the state and local landscape since 1993.

## The Landscape

Has the propensity of the American political system to spawn ever more governments persisted over the last 15 years? In an era when there has been much ado about outsourcing, have the numbers of state and local employees shrunk or grown? Have state and local expenditures increased or diminished as a proportion of the economy and the public sector? Answers to these and related questions point to both change and stability in state and local governance.

The number of governments grew during the period after the Winter Commission, but not as rapidly as in the previous 15 years. As table 1 indicates, the Census of Government reports an increase of about 3 percent, from just under 87,000 in 1992 to nearly 90,000 in 2007. The growth rate in the 15 years prior to the Winter Commission report was double that percent-

age. The multiplication of special-district governments accounts for most of the increase. While the number of general-purpose governments remained steady and the number of independent school districts declined by about 10 percent,<sup>2</sup> special districts rose by some 13 percent.

Special districts tend to be single- or limited-function entities that provide such services as public housing, fire protection, transportation, library services, soil conservation, airport operations, port management, and hospital care.

The allure of special districts emanates from several sources (Foster 1997). They frequently permit greater managerial flexibility than regular government agencies and provide more avenues to raise monies (e.g., through tax assessment, bonds, and user fees). They also allow officials to target specific geographic areas. Some special districts regionalize services, while others zero in on areas within jurisdictions (e.g., a municipal utilities district to provide water, sewer, and drainage services to a particular residential subdivision). Still other districts are coterminous with the boundaries of general-purpose governments. Special districts at

**Table 1** Number of State and Local Governments by Type, 1992 and 2007

	1992	2007	Change (percent)
State	50	50	0
County	3,043	3,033	0
Municipal	19,296	19,492	1
Township	16,666	16,519	-1
School district	14,556	13,051	-10
Special district	33,131	37,381	13
Total	86,742	89,526	3
Residents per government	2,866	3,362	

Source: U.S. Census Bureau, 1993 and 2008, <http://www.census.gov/govs/>.

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times allow elected officials to escape blame for difficult budget and tax decisions. Rather than face excruciating trade-offs brought on by the need to pit one valued public service against another, elected officials farm the issue out to a limited-purpose government (Foster 1997).

The numbers of state and local employees grew much more briskly than the number of governments after the Winter Commission report, but it was not a boom period for job opportunities at these levels. Table 2 shows that state and local employment grew by some 22 percent from 1993 through 2006. As a proportion of all civilian workers, however, state and local employment remained flat at 13 percent. State and local governments did, however, increase their share of all public employees. With the continuing shrinkage of the national government's workforce, the share of state and local employees rose from 84 percent of all civilian public workers in 1993 to 88 percent in 2006.

Education continues to dominate direct service delivery at the state and local levels. Whether measured in terms of overall

employees or the full-time-equivalent labor force, more than half of all state and local employees work for elementary and secondary schools, universities and colleges, and related educational agencies. Moreover, as table 2 indicates, education continues to be a growth sector, with the number of employees increasing by nearly 30 percent since the Winter Commission released its report. This growth disproportionately occurred at elementary and secondary school levels. Criminal justice organizations (police and corrections) also saw their employment rosters increase by close to 30 percent as governments prioritized public safety and incarcerated more people. This increase allowed criminal justice to replace health and hospitals as the second-largest functional area for state and local jobs.

The decline in the number of health and hospital employees reported in table 2 suggests the importance of the "shadow workforce," that is, those in the private sector under contract with states and local governments to provide goods and services (Light 1999). The shrinkage in health and hospital workers does not reflect less investment by states in this function. Their Medicaid costs have shot up appreciably, ranking at or near the top of state budget expenditures. Instead, this trend suggests a shift from direct service provision (e.g., through public hospitals and long-term care institutions) to a reliance on private vendors. To what degree has the shadow workforce grown as a result of greater outsourcing? Available studies suggest modest movement in this direction (Donahue

**Table 2** State and Local Government Employment by Selected Functions, 1993 and 2006

Function	1993		2006		Change (percent)
	Employees	Part-Time (percent)	Employees	Part-Time (percent)	
Education	8,358,811	31	10,817,880	32	29
Criminal justice*	1,336,783	8	1,722,723	8	29
Health and hospitals	1,507,418	17	1,483,847	18	-2
Transportation**	804,413	6	863,177	7	7
Other	3,816,964	21	4,439,259	24	16
Total	15,824,389	24	19,326,886	26	22
State and local as a share of all civilian public employees	84		88		
State and local as a share of total employed civilian labor force	13		13		

Sources: U.S. Census Bureau, <http://www.census.gov/govs/>, <http://ftp2.census.gov/govs/apes/93fedfun.txt>, <http://ftp2.census.gov/govs/apes/06fedfun.pdf>; and U.S. Bureau of Labor Statistics, [http://www.bls.gov/news.release/History/empisit\\_020494.txt](http://www.bls.gov/news.release/History/empisit_020494.txt), [http://www.bls.gov/news.release/History/empisit\\_02022007.txt](http://www.bls.gov/news.release/History/empisit_02022007.txt).

\*Includes police and corrections.

\*\*Includes highways, air transportation, water transportation and terminals, and transit.

2002, 273–75).<sup>3</sup> Overall, however, any quest to privatize service delivery since 1993 has not been so great as to yield shrinkage in the state and local public workforce in absolute terms or as a proportion of the nation’s civilian workforce.

For their part, state and local expenditures grew appreciably after the Winter Commission report, also edging upward as a percentage of all government expenditures and as a proportion of the overall economy. State and local outlays from their own sources more than doubled in the period from 1993 to 2007, from just over \$725 billion to nearly \$1.6 trillion; their share of all government expenditures rose from 34 percent to 37 percent. This increase reflects a small gain in the state and local share of the gross domestic product—from 11.1 percent to 11.6 percent. In contrast, federal expenditures as a proportion of gross domestic product declined over this period, from 21.4 percent in 1993 to 20 percent in 2007 (OMB 2007).

Changes in the landscape of state and local government have implications for democratic accountability and performance. For instance, the proliferation of special districts increases information costs for citizens and heightens the difficulty of holding particular officials accountable. Moreover, some evidence indicates that metropolitan areas with greater concentrations of special districts have significantly higher spending per capita than areas that house these functions in general-purpose governments. In this vein, urban areas with at least some provision of a function by a special district typically devote a greater proportion of total local spending to that service (Foster 1997, 155, 193).<sup>4</sup> From an administrative perspective, the plethora of governments places a premium on

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network, or collaborative, management skills. With opportunities to secure cooperation through hierarchical authority reduced, officials more readily turn to negotiation and persuasion in an effort to forge productive networks (Feiock 2004).

### The Political Nexus

The Winter Commission held that efforts to revitalize state and local public service would be ill served by a narrow focus on public administration and management. Rather, it sought to shine the reform spotlight on the broader political factors that shaped them. These included the institutional strength of chief executives, campaign finance and lobbying, and civic capacity.

### An Emphasis on Executive Leadership

The Winter Commission report opened by emphasizing that the quest for high-performance state and local government needed to begin at the top by “removing the barriers to stronger executive leadership” (1993, 15). The commission wanted to temper the fragmentation of American government to provide more fertile ground for coherent policy and executive-centered accountability. In this regard, it recommended three measures. First, it proposed to give elected executives more authority to shape their top leadership teams by reducing the number of independently elected cabinet officials. Second, it endorsed the elimination of ineffective and redundant agencies through an approach modeled on the federal government’s method for closing military bases. Under this model, the reorganization proposal submitted by the chief executive could not be amended by the legislative body but rather would be voted up or down as a package. A third recommendation extended this logic to the budget process, calling for a reduction in the ability of legislators to introduce “extraneous and unrelated”

amendments to the budget submitted by the chief executive (19).

While the period after the Winter Commission report witnessed some movement to bolster the position of top executives, few governments implemented the commission's specific recommendations. As Margaret Ferguson and Cynthia Bowling note in this special issue, states continue to elect an average of about eight cabinet officials, a number that has not changed appreciably since 1993. Moreover, the last 15 years have seen the role of one such official—the 43 elected attorneys general—soar to prominence. Attorneys general have, more than ever, emerged as major policy entrepreneurs, placing issues on the state and national policy agendas, blocking federal initiatives, winning major financial settlements through suits against private industry, and more (Provost 2003). The single most striking example of their intervention involved state suits against the tobacco industry to recoup the purported costs of smoking-related illnesses to state Medicaid programs. Led by Attorney General Mike Moore in Mississippi, attorneys general across the United States took legal action that eventually yielded a master settlement agreement between the cigarette companies and 46 states. The victorious states would reap an estimated \$206 billion in revenues from these companies over 25 years (Derthick 2002, 243–44). On other fronts, elected attorneys general launched actions to ferret out abuse on Wall Street, stamp out conflicts of interest between universities and lenders over student loan practices, restrict access to abortion, and much more. Data suggest that elected attorneys general are significantly more likely than their appointed counterparts to pursue consumer protection litigation (Provost 2003).

Does the prominence of attorneys general over the last 15 years signal a significant thwarting of gubernatorial leadership? Not necessarily. Governors and attorneys general often work cooperatively (Marshall 2006, 2454). In the case of tobacco litigation, for instance, the governor and legislature in Florida worked closely with that state's attorney general to maximize prospects for a successful suit and revenue windfall (Derthick 2002). But the divided executive at times sparks open conflicts that can wind up in the courts. In the case of tobacco litigation, for instance, Mississippi governor Kirk Fordice unsuccessfully tried to persuade the state's supreme court that Attorney General Mike Moore lacked the authority to sue the tobacco industry on behalf of Medicaid (Derthick 2002).<sup>5</sup> Even in the absence of such overt conflict, the presence of an elected attorney general can constrain the ability of the governor to control the policy agenda and coordinate initiatives.<sup>6</sup>

Moving beyond the issue of elected cabinet officials, more general measures of gubernatorial authority

show, at most, modest gains since 1993. Consider, for instance, one of the most widely cited indicators of the institutional powers of governors developed by Thad Beyle (2008). Beyle focuses on six criteria: the number of separately elected executive officials in a state, the potential for governors to serve longer terms, appointment authority in six major functional areas, budget authority, veto powers, and gubernatorial party control (the degree to which the governor's party dominates the legislative branch). Assigning equal weight to each of the six criteria and adding them, Beyle constructs an index of the institutional strength of governors with scores ranging from 5 (high) to 1.

Over the last half century, state scores on this index of gubernatorial potency have increased appreciably (Beyle 2006). But efforts to buttress the institutional authority of governors reached a plateau at about the time of the Winter Commission report. In the period from 1994 through 2008, Beyle's average score for all states remained essentially the same, rising from 3.4 to 3.5. To be sure, 23 states saw small increases in their scores, but 15 experienced declines and 12 remained static. Data reported by Brendan Burke, Chung-Lae Cho, and Deil Wright in this special issue point in a similar direction. Surveys of top state executives in the period from 1994 through 2004 reveal only slight changes over time in their perceptions of governors' control and oversight, general influence, and leadership in shaping the program priorities of agencies.

The Winter Commission was especially interested in increasing the budget authority of governors. Focusing on this component of Beyle's index, the average score rose marginally, from 3.0 in 1994 to 3.1 in 2008. Six states increased the budgetary powers of the governor and one reduced them; the other states held constant. Overall, considerable variation in the institutional strength of governors persists, with Beyle's scores ranging from 4.3 in Massachusetts to 2.5 in Vermont. Among the 10 most populous states, which claim more than 50 percent of the country's population, six have governors with above-average institutional powers (Florida, Illinois, Michigan, New York, Ohio, Pennsylvania); four lag behind the national average (California, Georgia, North Carolina, Texas).

Useful as Beyle's index is, it does not fully capture the institutional factors that could affect the power base of governors. Ideally, it would be useful to measure the institutional strength of governors relative to that of other key players in state political systems (e.g., the professionalism of state legislatures, opportunities for citizen initiatives and referenda). Moreover, other gubernatorial tools deserve attention. Ferguson and Bowling in this issue raises the potential

importance of executive orders. The potency of governors in administrative rulemaking also deserves attention (Woods 2004).

In surveying institutional changes with potential implications for executive leadership since the Winter Commission, the move to deregulate civil service systems deserves note. J. Edward Kellough and Lloyd Nigro in this issue point to an increase in the number of “at-will” positions in state governments. Such employment essentially eliminates the tenure and appeal rights of civil servants that formal merit systems have typically provided. Available data do not permit precise tracking of the trend toward at-will employment. But a survey conducted in 2005 found that 28 states have moved in that direction (Hays and Sowa 2006). In rare cases, such as Georgia, the changes have been massive, applying to all newly hired workers. In other cases, as in Florida and Kansas, certain higher-level employees have lost merit system protection. In yet other states, such as Delaware and Iowa, policy makers have decided to exempt all workers in particular agencies (e.g., the economic development office in the latter state). These developments may well afford governors and their cabinet appointees more opportunities to shape their top-level executive teams. In the case of mid- and lower-level positions, the benefits to gubernatorial potency may stem primarily from the propensity of at-will employment to bolster hierarchical authority within state agencies. For better or for worse, employees with fewer job protections may well be more sensitive and responsive to the preferences of their superiors.<sup>7</sup>

A focus on the formal powers of governors should not, of course, mask the opportunities for executive leadership through other means. For instance, the Bill Clinton and George W. Bush administrations proved much more willing than their predecessors to approve requests for program waivers from the states. Many governors used this devolutionary development to exert extraordinary leadership in transforming state health and welfare programs in the period after the Winter Commission. The passage of the landmark welfare reform act of 1996 also gave governors more opportunity to launch new initiatives (Gais and Fossett 2005; Weissert 2000).

The commission extended its concerns about executive leadership to larger local jurisdictions. As James Svvara points out in his contribution to this special issue, larger municipal governments have long provided their executives with substantial authority, whether in mayor-council or council-manager settings. He notes some increase in executive powers

over the last 15 years. Counties, however, are another story, with the commission form of government still prevalent. But even here, Svvara observes that a majority of counties with populations above 250,000 and all counties with more than a million residents have established a single elected or appointed executive.

At the local level, Svvara suggests that a primary institutional challenge to strong executive leadership springs from the increases in special districts noted earlier. With functions placed outside general governments, mayors, city managers, and county executives face greater transaction costs if they wish to shape the policies of these districts. As special districts have multiplied, a counter trend supportive of executive leadership has also surfaced. Mayors in many large cities have gained more authority over the schools. Historically, many mayors looked

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on schools as a source of jobs and contracts, an orientation that spurred reformers to create independent districts removed from direct mayoral control. The new style leadership features mayors committed to economic development and related revitalization of their cities; it stresses fiscal discipline, innovation, and performance in the schools. The trend toward increased mayoral control over the schools may well have yielded positive results. One study of 104 larger school districts found that, controlling for other factors, elementary and high school students in districts with new style education mayors had better test results than their counterparts in independent districts (Wong et al. 2007, 82, 94).<sup>8</sup>

In addition to the growth in special districts, the degree to which local governments rely on nonprofit philanthropic organizations to fund city services may vitiate the authority of chief executives. In this issue, Charles Brecher and Oliver Wise show how these nonprofits have allowed New York City to invest much more in sustaining a high-quality park system that would have been possible otherwise. But this development has also weakened hierarchical authority. In some instances, public employees report to the executives of these nonprofit associations rather than to the city parks commissioner.

### **Campaign Finance, Lobbyists, and Citizen Engagement**

The Winter Commission also held that revitalized state and local governance would not flourish in the absence of attention to campaign finance, interest groups, and citizen engagement. Concerned that rapidly increasing campaign spending and lobbying activity would undercut public trust, it favored greater transparency—governments should do more to keep readily accessible, timely data on campaign contributions

and lobbying organizations. It also urged that the fund-raising season be limited to six months before the election and that candidates not be permitted to carry over funds from one election cycle to the next.

In the period since 1993, states have moved toward more stringent regulation of campaign finance (see, e.g., Witko 2007).<sup>9</sup> Simultaneously, however, interest groups have developed a dizzying array of mechanisms to inject money and in-kind support into political campaigns that technically meet legal requirements but effectively circumvent regulatory constraints. The task of campaign finance regulation has become ever more complex (Malbin and Gais 1998, 77–104). At least with respect to transparency, however, the states have progressed. In recommending more energetic disclosure, the commission was primarily addressing an issue of public administration rather than policy. Well before the commission released its report, the vast majority of states (45 by 1980) had passed disclosure laws targeting campaign finance. By 1996, all states had such laws (Malbin and Gais 1998, 14). What tended to be egregiously absent in 1993, however, was vigorous implementation. Agencies charged with carrying out disclosure requirements tended to be underfunded and understaffed. Deficiencies existed in the collection and processing of campaign finance information, in the degree to which it was reviewed and analyzed, and in the extent to which it was readily accessible in a user-friendly format to citizens, the media, and others (Malbin and Gais 1998, 33–50).

Drawing on information technology, states have moved to remedy some of these deficiencies. With support from the Pew Foundation, the Campaign Disclosure Project (2008) monitors state efforts to promote transparency in campaign financing. States earn grades based on their performance on four dimensions—the stringency of their laws, their adoption of electronic filing programs, public access to campaign finance data, and Web site usability. In 2007, 36 states received passing grades from this project, with the rest failing. While only 18 of the passing states earned an A or a B, nearly half of the states earned higher grades in 2007 than they had in earlier surveys. Turning to the specific components of the disclosure index, 30 states received passing grades in developing mandatory electronic filing programs for those seeking office, 34 for making their campaign finance records accessible to the public (e.g., by providing searchable data bases of expenditures online), and 36 for having user-friendly Web sites.

The development of more user-accessible data bases will open the door to a more precise understanding of the link between campaign finance and public administration. In many jurisdictions, for instance, a widespread perception exists that private firms seeking to

contract with government must “pay to play”—that campaign contributions influence the awarding of contracts, at least on the margins. But few studies have explored this subject. Greater access to campaign finance data will help ameliorate this knowledge deficit. In this regard, a recent analysis of construction contracts in Wisconsin during the 1990s uncovered a pattern of high levels of campaign contributions to the governor by firms winning state contracts immediately before or after the award decision (Zullo 2006).<sup>10</sup>

The Winter Commission also stressed citizen engagement and problem solving as vehicles for building trust and revitalizing state and local governance. It endorsed greater transparency and expanding opportunities for citizens to participate in governmental decision processes (1993, 54–55). More specifically, the commission called for experimentation with citizen liaison offices in the major agencies of larger governments and the establishment of a national service corps. This corps would provide people with a chance to perform public service for defined periods of time in exchange for course credit, scholarships, low-interest college loans, or other compensation. I could find no evidence of substantial movement to establish citizen liaison offices. However, an array of national and state programs (including AmeriCorps, which Congress authorized in 1993) offer at least some opportunities for those who wish to perform public service.

It also deserves note that the period following 1993 featured intensified interest in the role of citizen engagement as a vehicle for improved governance (see, e.g., Putnam 2000). Efforts to enhance citizen involvement intersected with three developments, among others. First, the vibrancy of nonprofit groups and the volunteerism associated with them (“civil society”) came to be seen as a marker for social capital and civic capacity. As Steven Smith notes in this issue, the number of nonprofits and their role in delivering government services has grown dramatically over the past 15 years. Second, the revolution in information technology, which assumed particularly dramatic form after 1993, opened up novel ways to inform and involve citizens in state and local governance. Third, some proponents of performance management at the local level sought to engage citizens not only in identifying performance goals and measures but also in helping local officials achieve them. Fostering meaningful citizen involvement faces many challenges. Debate persists as to trends in the “health” of the nonprofit sector and membership associations more generally (see, e.g., Skocpol and Fiorina 1999). Some express concern that the professionalization of nonprofits, brought on in part by their increased role in implementing public programs, has diminished their value as vehicles for volunteerism and the enhancement of grassroots citizen skills

(see, e.g., Skocpol 2007). Furthermore, Sharon Dawes shows in this issue how citizen engagement has often received low priority as state and local governments have moved to reap the benefits of information technology. So, too, Mary Bryna Sanger's article documents how citizen involvement in performance management initiatives can be difficult to mobilize and sustain. Steven Smith's contribution suggests that government efforts to apply performance management to nonprofit contractors increases pressure on them to professionalize, possibly dampening their role as catalysts for citizen engagement.

### The Quest for High-Performance Administration

In addition to addressing the political ingredients of enhanced performance at the state and local levels, *Hard Truths/Tough Choices* proffered three overarching recommendations (along with a bevy of specific ones) related to administrative and management reform. In general, these recommendations called on states and localities to reduce the number of hierarchical levels in their bureaucracies,<sup>11</sup> empower their managers through internal deregulation, and enhance their human resource capacity.

The commission highlighted the importance of developing and managing the state and local workforce. It called for an end to "civil service paralysis" borne of centralized personnel systems and myriad rules that restricted the ability of managers to hire, evaluate, reward, promote, demote, transfer, and remove employees (1993, 24–25). It also recommended increased investments (at least 3 percent of total personnel costs) in employee training and education (42). The commission envisioned the need for a new skills package for employees and a new management style. In this special issue, Lloyd Nigro and J. Edward Kellough elaborate on the specifics of these recommendations. As indicated earlier, they note appreciable movement toward rule reduction in personnel systems within state governments through the adoption of "at-will" employment. They express concern, however, that proponents of major deregulation initiatives often use negative rhetoric that runs counter to the respect for public employees that permeated the work of the Winter Commission. They underscore that state policy makers have often neglected capacity-building steps such as investing in employee training. Personnel developments in larger local governments (including school systems) have garnered much less attention than their state counterparts. One can find little evidence of significant movement toward internal regulation at the local levels, but systematic research needs to be conducted.

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In addition to deregulating personnel systems, the Winter Commission endorsed greater managerial discretion in budgeting and purchasing. It called for reducing the number of line items in budgets so that managers could more readily shift funds from one purpose to another. It viewed "spend it or lose it" budget systems as a wellspring of inefficiency and recommended that officials be able to carry over a quarter of a budget allocation from one year to the next (1993, 35–36). The commission also favored accelerating the procurement process through a reduction in paperwork and enhanced managerial authority to make smaller purchases on their own (35). No readily available scorecard exists to mark trends with respect to the commission's budget recommendations. Whether the density of line items in budgets has diminished remains especially murky. There appears to be little systematic movement toward permitting managers to carry over funds from one year to the next.<sup>12</sup> In the case of procurement, however, Matthew Potoski's article in this special issue suggests considerable movement in the direction endorsed by the Winter Commission. State and

local governments have moved to decentralize purchasing authority and to empower managers to make more purchases without elaborate justifications and multiple sign-offs.

The Winter Commission also urged states and localities to forge a tighter link between "spending inputs and program outcomes" (1993, 37–38). Since 1993, rhetorical and related support for performance measurement and management has accelerated. Case studies point to the success of performance management in particular jurisdictions (see, e.g., Behn 2006; Smith and Bratton 2001). Broader surveys suggest considerable effort by many states and localities to take at least some steps in this direction (Barrett and Greene 2008; Government Performance Project 2003). In this issue, Mary Bryna Sanger plumbs the ups and downs of performance management systems at the state and local levels while zeroing in on the experience of six cities. She points to promising accomplishments in several jurisdictions, but ultimately likens the challenge of implementing these systems to that of "getting elephants to dance." Efforts to link performance measurement to budget outcomes have made modest headway.<sup>13</sup>

While focused primarily on enhancing the quality and performance of the state and local workforce, the Winter Commission acknowledged that "in some cases, privatizing services may make sense" and pointed in particular to the contribution of nonprofit organizations (1993, 38). As Steven Smith

observes in this issue, the welfare reform act of 1996, developments with respect to Medicaid, and other factors have boosted the importance of nonprofits in the delivery of government services since the Winter Commission report. Smith stresses the implications of this development for the skill set needed by public managers. Whereas the Winter Commission largely focused on the skills involved in effectively managing subordinates within public agencies,<sup>14</sup> Smith emphasizes those needed to work across the boundaries of government. These include those intrinsic to negotiation, conflict resolution, collaboration, outreach, and openness, as well as fair and adequate rate setting for nonprofit contractors. While Smith points to the mounting fiscal dependence of nonprofits on government contracts, Charles Brecher and Oliver Wise look at the other side of the coin: government dependence on nonprofit philanthropic associations to provide money and other support to sustain public services. In the case of New York City, nonprofit philanthropies have allowed the city to develop world-class parks that it would otherwise be unlikely to afford. But this public-private partnership has exacted a toll in terms of equity and accountability.

Had the Winter Commission drafted its report today, it would in all probability have paid more attention to e-governance. As Sharon Dawes notes in this issue, communication by memo, letter, and telephone dominated transactions in public agencies in 1993. Dawes chronicles the profound changes wrought by the transformation of information technology over the last 15 years. In this regard, she finds *uneven* state and local progress in five areas: (1) forging a coherent policy framework concerning such issues as access, security, and privacy; (2) enhancing public services with an emphasis on Web page development; (3) improving management and operations; (4) engaging citizens as problem solvers; and (5) riding the technology wave to accomplish major administrative and institutional reform. While Dawes paints developments in e-governance with a broad brush, Maureen Pirog and Craig Johnson show how a specific innovation in information technology has reshaped the administration of social programs. Their article describes the advantages of using electronic funds transfers (e.g., direct deposit of disability payments to the recipient's bank account) and electronic benefits transfers (e.g., food stamps through debit or smart cards) in social programs. They also probe the problems that surface in implementing this digital innovation, especially during times of great duress, such as that unleashed by Hurricane Katrina.

While committed to greater cost-effectiveness, the Winter Commission understood that revitalizing state and local governance depended on adequate revenue streams. Undertaking its work during the economic slump of the early 1990s, the commission

noted the many states and localities in severe fiscal stress. It pinpointed soaring Medicaid costs as key source of fiscal turbulence and called for a recalibration of the roles of the federal and state government in this policy domain (1993, 5, 59–61). Jeffrey Chapman's contribution to this special issue maps the current fiscal terrain for state and local governments. He underscores that the Medicaid challenge persists as this program has surpassed education to become the largest single expenditure in many state budgets. He also points to other fiscal strains emanating from such factors as the need to fund more than 2,600 state and local pension systems (particularly the future health care benefits that have been promised) and to sustain public infrastructure—highways, airports, electrical grids, and more.

### The Quest for High-Performance Federalism

The Winter Commission primarily addressed issues of federalism in the context of the budget stress that Medicaid had created for the states. Calling for a reduction in the fiscal uncertainty fueled by this program, the commission urged the federal government to pursue some combination of three options: *lead* by adopting a national health program; *follow* by backing state-driven reform, possibly with additional federal monies; and *get out of the way* by reducing or waiving federal laws and regulations that dampened state experimentation (1993, 59–61). The past 15 years suggest the continued relevance of these options not only in the health care arena but in others as well.

Federal efforts to provide bold leadership in health policy ended with the death of the Clinton administration's comprehensive proposal in 1994. This left open the question, would the federal government do more to enable states to lead? The national government took incremental steps in this direction. Among other things, it increased the flow of funds from federal coffers to states and localities. From 1993 to 2008, federal grants to state and local governments grew by 135 percent, from \$193.6 billion to an estimated \$454 billion; in inflation-adjusted dollars, this amounted to a 61 percent increase. Grants to state and local governments increased from just under 14 percent of all federal outlays in 1993 to nearly 16 percent in 2008. To a very large extent, the story of federal grants-in-aid is about health care. The proportion of all grants targeted at this policy sphere increased from 41 percent in 1993 to 48 percent in 2008; more than 90 percent of these health funds flowed to the states through Medicaid (OMB 2007).

In addition to keeping the fiscal spigot turned on, the federal government at times drew lessons from the states to modify national policy. In this issue, Carol Weissert and Daniel Scheller find such vertical learning to be present in federal approval of the State



Children's Health Insurance Program in 1997. This program provided a more generous federal match rate to the states than they received under Medicaid to extend health insurance to low-income children who lacked coverage.

But the federal propensity to learn from and follow state leadership had limits. Looking more broadly at five other federal health policies approved after 1993, Weissert and Scheller conclude that the national government paid little attention to pertinent state experiences in crafting new laws. Other developments also point to limited federal interest in learning from state policy laboratories. In 1996, Congress terminated the national Advisory Commission on Intergovernmental Relations, an entity that for more than three decades had provided knowledge about developments at the state and local levels and their implications for national policy. More recently, the National Academy of Sciences has expressed concern about the federal government's support for the Census Bureau. The academy concluded that the bureau could not without increased resources "continue to provide as much of the rich detail on individual state and local governments that is needed for ... important research, policy making, and public understanding" (National Research Council 2007, 112).

In the period after 1993, the national government did take some steps to pursue the commission's third option—to "get out of the way" and devolve greater discretion to the states. In this regard, waivers as a policy tool took center stage. A waiver is a congressional delegation of authority to the executive branch to permit selective deviations from the law. While waivers proliferated in a range of policy spheres (Gais and Fossett 2005), developments with respect to Medicaid are particularly striking. Prior to 1993, presidents and the federal bureaucracy had been reluctant to grant states Medicaid waivers for fear that they would drive up program costs. This stance changed markedly in 1993. Convinced that the states needed more discretion to reinvent their Medicaid programs, the Clinton administration opened the gates to state requests for demonstration waivers. The approval of these demonstrations continued apace under President George W. Bush. By August 2006, 44 states and the District of Columbia had won approval for 149 Medicaid demonstration waivers (Thompson and Burke 2007, 978). Many states fundamentally transformed their programs through this vehicle. The period after 1992 also featured an outpouring of more targeted Medicaid waivers. As of 2007, states employed more than 250 of these "program" waivers to move elderly and disabled Medicaid recipients out of nursing homes and related institutions into home and community-based settings (Thompson and Burke 2008).<sup>15</sup>

Beyond Medicaid, two other developments elevated the salience of federalism and intergovernmental management for states and localities in the period after the release of *Hard Truths/Tough Choices*. One was an enhanced effort to forge a new form of performance-based accountability in federal grant programs. Using this approach, the national government would liberate states from the need to comply with a plethora of process requirements ("red tape") and instead assess them on the basis of whether they accomplished performance objectives. In this issue, Kenneth Wong illuminates one attempt at performance-based accountability by focusing on the challenges of implementing a signature initiative of President George W. Bush—No Child Left Behind. His analysis lays bear the tensions that can arise in high-profile intergovernmental initiatives of this kind. These tensions partly reflect a gap (some would say chasm) between the ambitious performance goals set for schools by the national government and the funding provided to achieve them. Along with other research (e.g., Frederickson and Frederickson 2006), Wong's analysis raises questions as to whether a new performance-based paradigm can supplant more process-oriented approaches to federal grants-in-aid.

Finally, two extreme events—September 11 and Katrina—have sparked reassessments of the implications of federalism for the performance of state and local governments. The intergovernmental lessons of these watershed episodes have yet to be fully distilled.<sup>16</sup> In this issue, Marc Landy casts additional light on federal, state, and local government performance in the case of Hurricane Katrina. He underscores that this episode cannot be treated as a purely intergovernmental matter, but also as an issue of civic capacity. In this sense, the article intersects with a core theme of the Winter Commission—that successful state and local governance will require greater attention to the role of citizens as problem solvers.

## Conclusion

The articles in this issue and related evidence point to significant changes in the political, administrative, and intergovernmental fabric of state and local governance over the last 15 years. Many alterations are consonant with the thrust of the Winter Commission report. The deregulation of state personnel systems and, more importantly, the national government's willingness to grant waivers heightened opportunities for strong gubernatorial leadership. So, too, reform-minded mayors in many cities have gained new authority to provide leadership to their school systems. While few believe that we have solved the problems of campaign finance, this arena features much greater transparency now than it did in 1993. Government partnerships with nonprofit groups have flourished. Whether in the personnel arena or in procurement, public managers in many jurisdictions

have new discretion born of internal deregulation. Efforts to foster results-oriented governance based on performance measurement have increased. And the revolution in information technology has galvanized remarkable innovations in many states and localities. For its part, the federal government boosted grants to state and local governments and, through waivers and other means, devolved greater authority to the states.

But the evidence also points to the limits of state and local movement in directions espoused by the Winter Commission. Given standard measures, the institutional powers of governors have barely inched upward over the last 15 years. In fact, the rising prominence of attorneys general has reopened issues related to the positive role of elected cabinet officers. While the willingness of private, nonprofit philanthropic organizations to support government with money and volunteers can enhance the quality of services and bolster civic capacity, it also raises thorny problems of accountability and class equity. At times, both public agencies and nonprofits lack the capacity to form relationships that foster effectiveness and accountability. Political leaders have often launched initiatives to deregulate personnel systems with rhetoric that demeans and demoralizes public servants. Policy makers have evinced less interest in bolstering the human resource capacity of government through training and related measures than in pursuing at-will employment. While the tools of e-governance have had countless benefits, many governments have done little to realize their potential for transparency and citizen engagement. So, too, many states and localities have made little or no progress in walking the talk of effective performance management. While providing valuable funding and enhanced discretion to the states in many domains, federal officials frequently displayed little interest in learning from the laboratories of democracy. Impediments in the American federal system to developing high-performing networks to deal with terrorist threats and natural catastrophes persist.

Balancing the steps forward over the last 15 years against the current cluster of challenges, the image of a glass half full rather than one half empty seems apt. But as Governor Winter stresses in his introduction, the lingering and new problems call for the aggressive pursuit of further reform—for shoring up our ability to translate decisions about goals into the institutional capacity to achieve them (Nathan 2008). The articles in this special issue help provide a knowledge base toward that end. They also remind us of lacunae in our understanding of the origins, nature, and outcomes of the array of

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institutions and processes present at the state and local levels. Efforts to fill these knowledge gaps should be front and center for those committed to revitalizing these levels of the federal system.

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### Notes

1. This article does not revisit the normative thrust of the Winter Commission report. Obviously, scholars and practitioners can legitimately debate whether the commission got it right (e.g., whether efforts to bolster executive leadership should be pursued). For present purposes, I explore only whether state and larger local governments have moved in directions endorsed by the commission.
2. In addition to the school districts presented in table 1, the 2007 Census of Governments lists 1,510 “dependent public school systems” operated by a state, county, municipality, or township.
3. Donahue bases his estimate on a comparison of growth in both public expenditures and spending on compensation for government workers through the 1990s. He concludes, “Far from cutting to the heart of public employment, privatization seems to have been (at least so far) nibbling around its edges” (2002, 272, 275).
4. The research does not indicate whether greater expenditure leads to better service.
5. For an overview of the different types of court cases involving conflict over the role of state attorneys general, see Marshall (2006, 2455–60).
6. Perspectives differ on the desirability of activist, independent attorneys general. Marshall, for instance, believes that the state model might have valuable lessons for the national government. For a more critical perspective, see Derthick (2002).
7. After Georgia implemented an at-will employment system, a survey found that more than 40 percent of state workers believed the new system caused them “to be more responsive to the goals and priorities of agency administrators” (Kellough and Nigro 2006, 457).
8. The ability of mayors to appoint a majority of (rather than all) school board members was a key predictor of student achievement. The analysis showed that differences between the best-performing and worst-performing schools

- increased when mayors gained more authority. The growing achievement gap stemmed from the fact that the better-performing schools increased their effectiveness, while the lowest tier tended to remain constant (Wong et al. 2007, 108).
9. In addition to mandating disclosure, states have, in varying degrees, set limits on the campaign contributions of individuals and groups and provided public financing with expenditure caps.
  10. The study did not address whether the firms winning the contracts were less qualified than those that had their bids rejected.
  11. Anecdotal evidence suggests that some jurisdictions reduced managerial layers and the number of job classifications (see, e.g., Thompson and Radin 1997, 8). But I could find no systematic analysis of trends with respect to either practice.
  12. I am indebted to Stacy Mazer of the National Association of State Budget Officers and Professor Dan Smith at Rutgers University, Newark, for sharing their insights on these subjects.
  13. A recent survey commended 10 states for strong efforts to implement performance-based budgeting. It found that 15 states had serious deficiencies in this area and ranked the remaining 25 in a middle category of achievement (Barrett and Greene 2008; see also Willoughby and Melkers 2001).
  14. The commission urged that managers “forego the supervising, disciplining, second-guessing, and double-checking that have for so long passed for leadership” and emphasize skills of coaching, benchmarking, listening, mentoring, and championing (1993, 45).
  15. Authority for Medicaid demonstration waivers derives from section 1115 of the Social Security Act; section 1915c of that law authorizes waivers more specifically focused on the provision of home- and community-based care.
  16. See, for instance, the various perspectives offered in special editions of the *Public Administration Review* focused on the implications of September 11 (volume 62, September 2002) and Hurricane Katrina (volume 67, December 2007).

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